



Instituto Mexicano para la Competitividad, A.C.

Annual Report – October 1, 2015-September 30, 2016
Cooperative Agreement AID-523-A-15-00008

Executive Summary

This annual report is covering the period between October 1, 2015 and September 30, 2016 for the Cooperative Agreement AID-523-A-15-00008 awarded by USAID to the Instituto Mexicano para la Competitividad (IMCO) whose aim is to support Mexico in becoming and Extractive Industries Transparency Initiative (EITI) candidate country.

This full report that comes ahead is divided in four sections. The first section provides background and overview of the challenges that IMCO has faced in implementing this project, as well as its achievements during the same period of time. A second section accounts, explains and analyzes the activities IMCO undertook to advance towards the core objectives of this project. In section three the report also includes a chart to account for the advancement in the indicators and benchmarks set for this grant at the time it was awarded. The financial report accounting for the project expenses is in a separate file.

Although there is wide consensus in Mexico about the paramount importance to promote government transparency and accountability through, not only through local policies, but also by promoting the adoption of international standards, the task of applying to the Extractive Industries Transparency Initiative standard has not been a straight forward process in spite of the strong transparency and accountability community that has directly and indirectly advocated for its adoption through Mexico's country commitments under the Open Government Partnership.

The adoption of EITI in Mexico has been tainted by the strong opposition against the energy reform that still prevails, particularly among grassroots groups that have suffered the negative impacts of extractive activities. Within the rich and desirable diversity of civil society groups in Mexico, there is an important group of organizations that oppose to EITI because they consider that accepting the implementation of the standard is equivalent to endorse the energy reform. It has been incredibly complex to explain why the standard is a good mechanism to monitor extractive activity, due to the political polarization and the lack of trust in government actions that prevails in Mexico nowadays. This report provides a detailed description of the intricate process that finally took us to achieve a civil society representation for the multi-stake holder group (MSG).

Along the year of activity that is reported hereby, an enormous amount of time and energy was invested in explaining what EITI is, in providing support to widely socialize the initiative to guarantee an inclusive CSO representation, to facilitate conversations among CSOs that were not convinced about the benefits of adopting the standard, to facilitate peer exchanges so that particularly CSO would know more about what can be expected of EITI, which definitely is not a cure-all for wider civic agendas.

The report also includes a description of the technical work that has been done under this grant, and which has been carried out by IMCO once its role was revised right at the outset of this collaboration. IMCO has done independent research work to provide technical advice to all parties participating in implementing the initiative, but has been particularly close to SENER, and to the technical secretariat that is still there. We do not have a record of the dozens of calls, meetings and correspondence that we have exchanged with our colleagues in SENER, to exchange views, identify substantive issues

that needed to be attended or explained, plan for meetings, get and offer intelligence about how to approach CSOs, government representatives, companies and chambers in an effective way, get support to move issues forward. Our project suffered with the transition at SENER, but we are also happy to have been able to be part of this effort to ensure, to the extent possible, that the institutional memory of the process is preserved and that there are conditions to move forward. Our activities have not happened in the planned times, but they have been happening steadily, and in coordination with other important activities of the whole process, as it is explained in this report.

Introduction

This annual report is covering the period between October 1, 2015 and September 30, 2016 for the Cooperative Agreement AID-523-A-15-00008 awarded by USAID to the Instituto Mexicano para la Competitividad (IMCO) whose aim is to support Mexico in becoming an Extractive Industries Transparency Initiative (EITI) candidate country.

I. Challenges and accomplishments for the reported period

Background

This cooperative agreement was awarded to IMCO as a result of a competitive process with the core objective of supporting Mexico to become an EITI candidate country. At the time this agreement was awarded the task for IMCO seemed straight forward: supporting Mexican civil society groups to achieve a successful representation arrangement so that to establish a multi-stake holder group (MSG) with representatives from government, extractive companies and civil society; support the MSG in producing a national work plan to apply for becoming an EITI candidate country, and provide technical inputs to the MSG to inform the design of the national work plan and support the MSG in its initial implementation.

These were the actors and factors that were crucial for this process at the time this grant started:

Actors:

- Once the government of Mexico announced its intention to adopt EITI, an “inter-ministry commission” (Comisión Intersecretarial) was established to stir the process. Members of this commission are the Ministry of Hacienda through its Undersecretary of Income (Dr. Miguel Messmacher, the Ministry of Energy (It was Dr. Lourdes Melgar, now it is Dr. Aldo Flores), through its Undersecretary of Hydrocarbons and the Ministry of Economy through the General Director for Mining (Lic. Claudia Ibarra). An arrangement was established so each Ministry would be on charge of shepherding the process for one year. The first person on charge was Dr. Lourdes Melgar from SENER. These three ministries will also be the government representation for EITI’s MSG.
- To operationalize the EITI adoption process, SENER established a technical secretariat to coordinate all actions and actors towards this goal. At its best, the secretariat had four capable staffers that would take the lead in socializing the task, ensuring that all parties are in the same page, and mediate different views, identify consensus and move forward. The technical secretariat for EITI continues to be at SENER, but it has suffered during a transition period that would be explained below.
- The extractive companies’ representation for EITI’s MSG includes the Mining Chamber of Mexico (CAMIMEX), the Mexican Association of Hydrocarbon Companies (AMEXHI) and Petróleos Mexicanos (PEMEX).

- Three CSOs took the leadership to “promote” the adoption of EITI, as it was one of Mexico’s commitments under the Open Government Partnership. Transparencia Mexicana, Fundar Centro de Análisis e Investigación and Project Poder were known as the “Grupo Impulsor” and were part of initial negotiations under this umbrella. They were clear about not being “legitimate representatives” of Mexican CSOs, and pressured for an inclusive process to elect CSO representatives for EITI’s multi stakeholder group.
- Group of CSO representatives for EITI’s MSG. After many months of a consultative, complex process, a group of representatives was elected. Their names and affiliations are:

Name	Organization/Institution	Role
María Teresa Gutiérrez Haces	Instituto de Investigaciones Económicas	Representatives
Esteban García-Peña Valenzuela	Alcosta, Alianza para la Sustentabilidad del Noroeste Costero A.C.	
Benjamin Cokelet	PODER	
Fernanda Hopenhaym	PODER	
Patricia Legarreta	PODER	
Vanessa Silveyra	Transparencia Mexicana	Alternates
Vania Montalvo	Transparencia Mexicana	
Ramón Carlos Torres Flores	Integrante Grupo de Energía PUED/UNAM	
Jorge Eduardo Navarrete	Integrante Grupo de Energía PUED/UNAM	
Fabiola Socorro Sosa Rodríguez	Universidad Autónoma Metropolitana Unidad Azcapotzalco	

Factors:

- There was an assumption that the process was more under control than it actually was, particularly regarding the overall participation of civil society from dissemination of the idea, through the election of representatives.
- From the beginning of the process, CSOs in the Grupo Impulsor were deeply concerned to reach out to a wide array of civil society organizations, particularly local groups facing the negative effects of extractive activities in their communities. In some instances, the Grupo Impulsor unofficially fulfilled the “representation” function, but at the end, without an official representation progress was impossible, and CSOs could not be held accountable to Grupo Impulsor’s agreements.
- Also from the beginning, Grupo Impulsor and other CSOs have demanded the inclusion of environmental and social issues in Mexico’s work plan to comply with the standard. Although many other countries can inspire innovations on that regard, the Grupo Impulsor did not do a very good job to define concrete issues to be addressed, and in the meantime, produced stress and animosity that delayed the whole process.

Plans vs. reality

Based on its original proposal, IMCO engaged in an initial task to support and facilitate civil society efforts to establish its own mechanisms of representation to then become part of Mexico's three party representation body (multi-stakeholder group or MSG), and to help define a national work plan. The assumption was that this support was needed and wanted by CSOs to overcome the complexity of representing such a diverse community. One year ago, the champion of the process for the Mexican government was Dr. Lourdes Melgar, Undersecretary for Hydrocarbons at the Ministry of Energy (SENER). Under her leadership, the goal was that Mexico would submit its EITI application in February 2016, during the EITI summit held in Peru.

In its facilitator role IMCO's Deputy General Director, EITI Project Manager and the main researcher for the project invested a great deal of effort in reaching out to CSO partners to understand their needs and expectations. This became a sensitive task, as we soon discovered that the expectations that CSOs in Grupo Impulsor had about IMCO's role were different than the plan we had based on the technical proposal submitted to compete for this award. IMCO was not a welcome newcomer to a dynamic in which members of Grupo Impulsor were already engaged in different initiatives to promote Mexico's incorporation to EITI –most notably the Open Government Partnership.

Still, we tried to figure out a useful role for IMCO, and our efforts focused on fostering collective discussions that could lead to greater clarity among an extended group of CSOs, conducive to establish a representation for EITI. Still in its facilitator role, IMCO hosted a meeting with Jonas Moberg, promoted a meeting of academics with Dr. Melgar and joined Fundar in organizing a convening in Monterrey to explore whether CSOs and citizen groups were on agreement with the adoption of EITI and how a representation might move forward.

These meetings, and interactions with the Grupo Impulsor and its individual members were critical for IMCO to understand the challenging environment for the adoption of EITI. For example:

- Although organizations were involved in drafting the terms of reference that were the base for the competition for this grant, they did not welcome having a facilitator for their own organizing process since they were already leading it in their own way. Moreover, consensus and agreement have not always been easy among the three organizations in the Grupo Impulsor due to their own institutional personalities.
- The three organizations were more focused on a process to disseminate what EITI is, and their own assessment –sometimes biased- about the implications of implementing the standard in Mexico. The downside of this discussions was that it focused more on questioning Mexico's energy reform and the negative environmental and community impacts of extractive industries and some technologies such as fracking, instead of highlighting the advantages that an international standard could potentially bring to Mexico to improve the transparency of its extractive activities.
- Although at least two of the organizations in the Grupo Impulsor are knowledgeable about the substantive content of the EITI standard, the group started the pressure to include environmental and social issues in the work plan that still have to be defined for Mexico. That pressure has triggered some resistance and paralyzed collective agreement in more than one occasion, due to the lack of a clear definition of the substantive content of these two issues.

- Members of the Grupo Impulsor actually recognize that for them all the work that would lead to Mexico's incorporation to EITI is a mean to actually discuss environmental and social issues from the human rights perspective, and for supporting the communities that are suffering due to the presence of extractive companies in their land.
- There is not explicit and targeted work by (and within) the Grupo Impulsor to actually open the door to other civil society actors, such as the academia or think tanks, with the clear intention to decide on its own official representation. That continues to be true as we prepare this report.

Revised role for IMCO in the EITI adoption process

Through all the events described above, IMCO soon realized that its chances to be successful in the facilitator role were quite limited, and decided to discuss with USAID and SENER its own view about this project and the alternatives to move forward. IMCO proposed to left aside the facilitator role, and produce technical proposals to implement EITI in Mexico. Once this proposal was accepted, IMCO was able to finally submit its yearly work plan on December 22, 2015 after having to request two extensions.

Since IMCO's revised work plan was approved by USAID right before the end of the year break, we started the first trimester of 2016 presenting the revised work plan to SENER for feedback, and then we had separate presentations for the groups representing government and extractive companies already formalized for the MSG. We also presented the plan to the CSOs in the *Grupo Impulsor*. The feedback that we received was very positive in general terms, and was more focused on process than on substance. From those sessions we could confirm that eventually the greatest challenge in the internal negotiation within the MSG is likely to be about how to include environmental and social issues in Mexico's application and reports.

In March the Grupo Impulsor presented a road map to achieve representation by the end of April. IMCO, in its new technical advisor role, met with representatives of the Grupo Impulsor (Fundar, Transparencia Mexicana and Poder) to get an update about the process and to assess in which way we could support the activities outlined in the roadmap so that the goal of finally having a CSO representation could be met. It was clear that given the complexity in the relationship of CSOs and grassroots groups, there was the need for an experienced and well accepted facilitator for the process, and CSO's also requested support on that regard. Hence, IMCO partnered with the Centro de Colaboración Cívica (CCC), for the task. According to CCC recount on the process, it was extremely complex to get a group of CSOs on board, but finally there was a representation selected by the end of April.

On May 6th, right after the election of CSOs representatives, a meeting was convened by SENER to formalize the MSG. IMCO supported SENER in organizing this meeting by providing a draft of Operations Rules. Unfortunately for this project, the meeting ended up without success. CSOs representatives came to the meeting with a series of new conditions that they wanted accepted by the government and companies' representatives to sign in and move forward. The meeting ended-up with the other parties – representatives of the companies and the government- wondering about the viability of the whole initiative; but also wanting to explore venues to discuss different themes related

to the standard in a substantive way, and looking for ways to comply with the standard, even if the country is not officially part of it.

After the lack of success in formally establishing the MSG, the work during this quarter was initially focused on keeping the interest and momentum going for industry representatives, and on a damage control effort to continue working with CSO's representatives. However, many other things happened adding to the complexity of this project:

Transition in government partners and allies

In June, the time came for Dr. Melgar to turn over the leadership of the EITI process to Dr. Miguel Messmacher, Undersecretary for Income at the Treasury. Still, the technical secretariat for the whole process remained at SENER, and none of the staffers involved expected major changes in the team and their role.

However, to the surprise of many, Dr. Lourdes Melgar resigned to her position as Undersecretary for Hydrocarbons in SENER in late July 2016, to become a Wilhelm Fellow at MIT. As a result of this transition, Dr. Aldo Flores, the former head of the International Energy Forum was appointed to this position. Unfortunately, the EITI technical secretariat team was not shielded to the staff turnover wave that comes with shifts in political appointments. By mid-August, only one staff member, Bernardo Lesser, and a junior aide remained in the technical secretariat at SENER. This transition has affected the course of activities and slowed down the intricate process of formalizing the MSG, and the follow-up of other events that were in the pipeline at that point.

Capacity Building needs of recently elected civil society representation for EITI

At the end of last quarter, there was a very tense situation due to failure to formalize the MSG given the unilateral conditions introduced by the CSO representation group to be signed up in the inauguration event. Significant "fine threading" work was required to re-establish a productive dialogue with CSO representatives to move forward. While this dialogue was mostly facilitated by the former staff at SENER's technical secretariat, IMCO indirectly participated in these negotiations through its support to, and constant communication with the *Centro de Colaboración Cívica* (CCC). As part of the contract with IMCO, CCC engaged with civil society representatives, including the greater group of organizations beyond the representation, to define their own expectations as a group and to help them come up to speed in their knowledge about EITI, its possibilities and potential.

At the same time the group of civil society representatives worked with SENER's technical secretariat in a document called *Declaración de Principios* (statement of principles), which is a document that includes some of the demands and concerns that were presented by CSO representatives as conditions to be part of the initiative; but that has been widely discussed and built in collaboration with the representatives from government and extractive industries. This document will reflect the consensus of the would-be MSG on basic principles for collaboration. The process of getting all participants on the same page through this document has been critical to build trust and regain a productive dynamic not only among the different parties that would participate directly in the MSG, but also among the greater group of civil society organization that want to participate in EITI through the representation.

Technical analysis

After the failure of formalizing the MSG, representatives from the industry, particularly AMEXHI, were eager to organize EITI related conversations to keep the momentum going and to continue socializing experiences about how the standard has been implemented in other countries, and what are the operational challenges of doing that. A collaboration with the Department of the Interior (DOI) crystalized during this quarter as well, and it was possible to organize a workshop where DOI staff shared their experience in setting-up and managing the USEITI portal. We at IMCO could finally held our first Chatham House session on mining in September 28th. It was virtually the first time that a deep technical discussion happened in the whole process.

Lessons learned

This is a project that in the outset seemed relatively straight forward because its original intention was to facilitate the collective agreement of CSO who are transparency and accountability advocates to participate as representatives in this initiative, which has been supported and considered important by many of these organizations. Contrary to our assumptions, the process to achieve consensus about CSs' participation in the initiative has been the more complex and time consuming part of the EITI adoption process, and we have learned that Mexico is not a unique case in that regard. Together with colleagues in the government, particularly within SENER, we had to step back, and recognize the niches where we could add value, while making explicit efforts to build trust and good will for the tasks that lay ahead. Identifying best practices is useful in the process of promoting substantive exchanges of information, but every country has to go through the process recognizing its own challenges, and addressing them in a genuine, honest way.

We could not work as independently as we would have wanted at some point, since the way in which IMCO could add value to this process was not putting information and analysis in a vacuum, but by providing technical inputs to those partners within government, companies and civil society that want to push this agenda forward.

Certainly what made our work harder was to "enter" in this process, because it was already underway, especially through the work of the Grupo Impulsor.

Redefining our work in the technical arena has been an opportunity for us to add value to this process, and to offer the outcomes of our work to all parties interested in the initiative.

This project had a rough start, and it took time to rebuild the conversation and create the conditions for productive exchanges. The importance and magnitude of political considerations cannot be overlooked in projects that touch upon sensitive issues. For example, many grassroots groups are reluctant or not willing to accept and participate in EITI because for them, participating in the initiative equals to endorse the 2013 energy reform, that they have rejected right from the outset.

II. Key Activities

1st Quarter

The first activity that IMCO organized to socialize EITI and advance towards the plan to apply for the candidacy by February 2016, included civil society representatives and Jonas Moberg, the Head of EITI Secretariat. This meeting was organized simultaneously to the OGP summit in Mexico City at the end October 2015, and was held in a venue close to the OGP summit site to facilitate CSOs attendance. Representatives of 21 organizations attended this presentation. In that meeting we learned that EITI was not common knowledge for many in the group, which helped us to plan for producing support materials to socialize the initiative. The idea to translate the book written by Jonas Moberg and Eddie Rich "Beyond Governments" came about after that session.

DR.2.4-1 Number of government officials receiving USG-supported anti-corruption training: 0

DR.2.4-2 Number of Mechanisms for external oversight of public resource use supported by USG assistance : 1. The adoption of the Extractive Industries Transparency Initiative.

DR.2.4-3 Number of people affiliated with non-governmental organizations receiving USG-supported anti-corruption training: 13 organizations, 23 people, 9 men, 14 women

Also, in coordination with SENER, IMCO helped convene an introductory meeting with academics and scholars to explain the EITI standard and the way in which the academic sector could add value to the civil society representation group. This meeting was hosted by Undersecretary Lourdes Melgar and EITI Head of Secretariat, Jonas Moberg. This meeting took place in November 23, 2016. Six academics attended this meeting. Among them Dr. Fabiola Sosa and Mtro. Ramón Carlos Torres who are now part of the MSG.

DR.2.4-1 Number of government officials receiving USG-supported anti-corruption training: 7

DR.2.4-2 Number of Mechanisms for external oversight of public resource use supported by USG assistance : 1. The adoption of the Extractive Industries Transparency Initiative.

DR.2.4-3 Number of people affiliated with non-governmental organizations receiving USG-supported anti-corruption training: 6 organizations, 6 people, 3 men, 3 women

IMCO joined forces with Fundar Centro de Análisis e Investigación to organize a regional meeting in Nuevo León for civil society representatives from the region. The meeting was held on November 28 and 29 and IMCO supported the logistics of the event in Monterrey by providing accommodation and meals to all participants during the two-day meeting. 40 people representing 20 local organizations and collectives from Nuevo León and neighboring states attended the meeting.

It was during this quarter when IMCO started up the conversation with USAID and SENER to revise its role as facilitator of the CSO process, to become technical advisor for the three parties involved in the initiative.

DR.2.4-1 Number of government officials receiving USG-supported anti-corruption training: 0

DR.2.4-2 Number of Mechanisms for external oversight of public resource use supported by USG assistance : 1. The adoption of the Extractive Industries Transparency Initiative.

DR.2.4-3 Number of people affiliated with non-governmental organizations receiving USG-supported anti-corruption training: 20 organizations, 40 people, 26 men, 14 women

2nd Quarter

Attendance to EITI Global Conference 2016

Every three years, EITI Secretariat holds a Global Conference with the main purpose to bring all EITI stakeholders together. This conference provides the opportunity to discuss the standard in light of the achievements of those countries that are either candidates or compliant, and is an opportunity to rise the profile of this standard for those countries that are not part of it. During these conferences, a Members Meeting takes place in order to appoint the next EITI Board members for a period of three years.

As part of the preparations for the conference, IMCO supported SENER to produce a short document in which Mexico's state of issues was summarized, and some facts from the scoping study were quoted. This document was made available to all Mexican participants so they could share it with those interested in knowing about the process.

Manuel J. Molano, IMCO's Deputy General Director, attended the Conference on behalf of IMCO's EITI team. This was the first time for IMCO to be attending an EITI international meeting. As a newcomer, Mr. Molano experienced the wide array of issues that prevailed in this gathering. The Lima conference was particularly eventful due to the disruption that took place at the election to renew EITI's board, and the impact that this situation had in the conference agenda – half of the sessions for one of the two days were cancelled, as loud demonstrations took place. In that sense, one of the key take-aways from the conference was the perception that, substantively, the agenda was more political than technical, and that the conference fell short to fulfill the promise of its title "From Reports to Results". There were very few discussions on technical issues, which in our opinion, need to be recaptured and consolidated in order to reflect progress in the standard implementation globally, but also on the ability of this standard to capture the state of issues on extractives and catalyze positive changes in income distribution.

Unrest at the conference made evident that the potential for conflict and disagreement is quite high and could easily deter any progress in the application process for Mexico's EITI candidacy. Although we thought that mapping conflict could be a useful, unplanned byproduct of our work, this exercise

requires a very high level of trust, particularly on the side of grassroots and community groups who are not natural allies of IMCO.

IMCO also supported the Grupo Impulsor to implement its roadmap. Although there was reticence to accept support from IMCO in the form of honorarium for a consultant that could help the group to move forward, they have accepted IMCO's hiring with the CCC to help us accomplish the selection of representatives, which finally happened at the end of April.

DR.2.4-1 Number of government officials receiving USG-supported anti-corruption training: 0

DR.2.4-2 Number of Mechanisms for external oversight of public resource use supported by USG assistance : 1. The adoption of the Extractive Industries Transparency Initiative.

DR.2.4-3 Number of people affiliated with non-governmental organizations receiving USG-supported anti-corruption training: 18 organizations, 50 people, 23 men, 27 women

Spanish translation of the book “Beyond Governments”

IMCO began 2016 working on the Spanish translation of the book *Beyond Governments* by Eddie Rich and Jonas Moberg (current EITI Head of Secretariat). This book addresses the issue of collective governance for extractive industries and its roll in reinforcing and strengthening government system, and lessons learned from the Extractive Industries Transparency Initiative are discussed in the book. Having a Spanish translation of this book is an opportunity to promote greater understanding about what EITI is and entails, why is the initiative a desirable step in countries where extractive industries are a critical part of their economy, and what is the contribution of the initiative to hone the culture, the policies, and the systems that increase transparency and accountability in any country by reinforcing a legal system that makes possible to trace public monies coming from extractive activity.

Technical specialists on board

In terms of making available technical expertise for the EITI process, during this quarter IMCO brought on board the expertise of the Centro de Colaboración Cívica (CCC) to facilitate the process in which civil society representatives for EITI were elected. CCC facilitated four workshops in which 30 CSOs were represented by an average of two people per institution.

We also hired technical expert Gonzalo Monroy to work on the technical paper for hydrocarbons. Although the technical discussion had to be rescheduled due a delay on Gonzalo's schedule, Gonzalo presented part of his research in the forum organized by AMEXHI and SENER in July. MSI Integrity and NRGI confirmed their interest in facilitating workshops with the MSG once formalized. Both organizations are willing to provide support as needed, but the need for their interventions need to be validated by the MSG when it is formalized.

3rd Quarter

At the beginning of the third quarter we hired mining expert Dr. Federico Kunz. He has a 40-year trajectory in the mining sector and has professional experience as public servant, mining industry

employee, regulator, and legal consultant for the sector. He has done an extraordinary working on a technical paper to assess Mexico's compliance with the standard in mining.

The translation of the book *Beyond Governments* was completed by the end of summer, and it was edited by IMCO and revised by the EITI team at SENER and Pablo Valverde from EITI Secretariat. We also initiated all the paperwork to purchase the rights for the book to be published in Spanish. These work was finalized during the 4th Quarter of this grant, since it took several weeks to finally get an agreement for the rights, which IMCO purchased. We are also obtaining the ISBN for the Spanish edition so the book is almost ready to be presented. We have invited Jonas and Eddie to come down to Mexico for a presentation, but we still do not know if they will make it in person or in video. The foreword to the book will be written by Dr. Messmacher, the new champion within government to make EITI happen. The plan is to present this book in November, possibly at the inauguration of the MSG.

In preparation for the meeting organized to formalize the MSG, IMCO developed an initial version of operation rules that were shared with all MSG representatives during the first meeting. The idea was to provide formality to the group's initial deliberations and activities, but secondly, to serve as the base to start up the discussion of governance within the MSG. Besides putting together operations rules, IMCO also developed an informative document that included core references about the governance practices compiled from work materials from MSI Integrity, The Consensus Building Institute, and IMCO's own research.

After the failed formalization of the MSG in May 2016, together with SENER we decided to continue the thematic sessions to keep the momentum going for those who are ready to move forward for EITI. IMCO supported SENER and other parties from companies and government agencies that substantive discussions about the implementation of the standard should take place. It was particularly relevant a meeting that IMCO had with the Undersecretary of Income, Dr. Miguel Messmacher, from Secretaría de Hacienda y Crédito Público (SHCP). Dr. Messmacher invited Manuel Molano and Guadalupe Mendoza for a conversation that, for us, was an indirect opportunity for "damage control" after the unsuccessful MSG formalization meeting, as well as a chance to reinforce the importance of continue pursuing the adoption of EITI.

DR.2.4-1 Number of government officials receiving USG-supported anti-corruption training: 21

DR.2.4-2 Number of Mechanisms for external oversight of public resource use supported by USG assistance : 1. The adoption of the Extractive Industries Transparency Initiative.

DR.2.4-3 Number of people affiliated with non-governmental organizations receiving USG-supported anti-corruption training: 14 organizations, 21 people, 9 men, 12 women

IMCO also participated in a conference organized by SENER and companies affiliated to AMEXHI the first week of July. The goal of the conference was to socialize best practices from the hydrocarbons companies to comply with EITI in other parts of the world. As mentioned above, IMCO participated in organizing the substantive agenda for this conference, our consultant Gonzalo Monroy presented a portion of the technical paper that he prepared to assess Mexico's current compliance with EITI, and we at IMCO presented a timeline about the timeline for an EITI adoption process in

other countries, and about the different innovations that some countries have introduced to the standard. This meeting was attended by 50 people, 30 of them representatives of CSOs including representatives for the MSG.

DR.2.4-1 Number of government officials receiving USG-supported anti-corruption training: 20

DR.2.4-2 Number of Mechanisms for external oversight of public resource use supported by USG assistance : 1. The adoption of the Extractive Industries Transparency Initiative.

DR.2.4-3 Number of people affiliated with non-governmental organizations receiving USG-supported anti-corruption training: 16 organizations, 30 people, 14 men, 16 women

IMCO worked together with SENER in supporting Dr. Fabiola Sosa, alternate representative for the CSO representation for the MSG- in organizing the Mining Dialogue at Universidad Autónoma Metropolitana (UAM). The Dialogue celebrated its fourth edition this year and it focused on EITI, making an effort to explain the standard and its usefulness vis à vis the mining industry in Mexico. It has been in this forum where concrete ideas about the kinds of environmental and social issues that could be included in the standard have been discussed for the first time. Guadalupe Mendoza was invited by Dr. Sosa to facilitate a discussion table to ensure that the outcome was useful in terms of enhancing participants' understanding about the standard. 57 people attended the Dialogue, and they represented academia, local government officials (presidentes municipales), CSOs, mining companies, regulators and so forth.

DR.2.4-1 Number of government officials receiving USG-supported anti-corruption training: 13

DR.2.4-2 Number of Mechanisms for external oversight of public resource use supported by USG assistance : 1. The adoption of the Extractive Industries Transparency Initiative.

DR.2.4-3 Number of people affiliated with non-governmental organizations receiving USG-supported anti-corruption training: 32 organizations, 44 people, 23 men, 21 women

4th Quarter

This quarter was tainted with the transition that happened in SENER, which unavoidably affected our work. IMCO invested a great deal of time in meetings with SENER to help the team there cope with transition and change. We were also supportive to SENER in meeting with other partners to provide institutional memory of the process. This was the case with a high level meeting with GIZ to prioritize the agency support to the initiative.

Workshop on EITI data management and lessons from the USEITI portal

Geoffrey Minnot of USAID facilitated a conversation with the team at the U.S. Department of the Interior (DOI) who has set up and maintains the USEITI portal. The idea was to bring down the USEITI portal experience so that all the parties involved in implementing EITI could take advantage of it. These conversations came to fruition on September 21, 22, and 23 with the visit of Paul Mussenden, the National Coordinator for USEITI, and Judith Wilson from the USEITI Secretariat for a

workshop organized at UNAM's Institute of Economic Research. The sessions were designed so that public officials, companies and CSOs could see how an actual portal with information about the EITI standard works, what are the technical challenges to set it up, but most importantly, how it can become a tool to publicize extractive industries information, and how this information can be used to inform public interest debates.

This workshop was also a great opportunity for CSO representation group to “host” this event and to actively participate in it. IMCO provided insights to organize the sessions and participated in planning meetings with DOI staff and SENER. IMCO also partnered with SENER to provide logistical support for the event providing the meals for the two full day sessions. Two civil society representatives for USEITI –Ketih Roming and Veronica Slajer- joined the whole meeting as specialists to share their experiences in defining a work plan, tracking the information and then making sure that it is available for all in the on-line portal. They were also available for a CSO exclusive meeting on the third day of the event. The participation of Keith Roming and Veronica Slajer gave CSOs ample opportunities to discuss their concerns about representativeness, three-party collaboration and the strategic use of information. Thanks to USAID support, IMCO made possible that both Mr. Roming and Ms. Slajer were able to come down to Mexico for this exchange. We covered their plane tickets, accommodation and a modest per-diem while in here. Inviting these CSO experts also became a token of good will since Mexican CSOs wanted U.S. CSOs to be represented in the event, but no one neither at the EITI CSO representation nor at SENER or Hacienda could afford these trips. All in all, partnering with others, instead of organizing “IMCO exclusive” events have helped us to cultivate good will, and to convince other parties that our true aim in this project is to provide support to make EITI happen in the country.

DR.2.4-1 Number of government officials receiving USG-supported anti-corruption training: 31

DR.2.4-2 Number of Mechanisms for external oversight of public resource use supported by USG assistance : 1. The adoption of the Extractive Industries Transparency Initiative.

DR.2.4-3 Number of people affiliated with non-governmental organizations receiving USG-supported anti-corruption training: 18 organizations, 31 people, 13 men, 18 women

IMCO's technical papers and analysis sessions

It was until this quarter that the time was ripe for IMCO to finally convene its first Chatham House session to discuss fiscal and regulatory transparency in mining.

We worked to adapt the Chatham House methodology for a discussion in which experts were convened to discuss the degree in which Mexico can comply with the EITI standard given the current state of regulations and publicly available information of the mining sector. It was challenging to design the sessions to have an engaging discussion, but probably the most challenging part was to explain the dynamics of the meetings to the specialists we invited. Chatham House sessions are not open forums. Individuals are invited due to their expertise and therefore the invitation was not-transferrable (a tradition particularly among Mexico's public servants), and the success of the session is based on substantial preparatory work prior to the meeting, and the participation on experts during the whole session. We aligned with the standing practice to offer a symbolic honorarium to experts

joining these discussions provided that they were not active public servants. For the mining session, which took place on September 29, we were able to recruit a good representation of high level public officials from the mining regulators at Secretaría de Economía, SENER and the Treasury, civil society organization staffers with great expertise in these issues, as well as representatives from mining companies. Carlos Monge from NRGJ joined the meeting as well and provided very good feedback about the format and the quality of the discussion. He is already taking to EITI representatives in both Colombia and Peru about our methods of analysis and discussion, since he believes this methodology allows a technical discussion in a safe space that can distill concerns in a constructive way.

In a three-hour session we were able to discuss Mexico's actual compliance with all the requirements of the standard for mining, focusing on issues in which participants expressed a strong dissent. Our method required that participants did not focus on convincing others about their opinions, but rather that they were able to spell out in detail their viewpoints so that those would appear in the record of the session, in which arguments will be explicit, but not their proponents. The session was highly technical and through it, some participants were able to clarify doubts and perceptions about the way in which the standard can be implemented. Some of them reported that they adjusted or changed their own opinion after the discussion, and in general participants were happy to finally have substantive conversations about the standard.

The full technical document that was the foundation for this session together with the report from the discussion will be public by the end of October.

DR.2.4-1 Number of government officials receiving USG-supported anti-corruption training: 5

DR.2.4-2 Number of Mechanisms for external oversight of public resource use supported by USG assistance : 1. The adoption of the Extractive Industries Transparency Initiative.

DR.2.4-3 Number of people affiliated with non-governmental organizations receiving USG-supported anti-corruption training: 9 organizations, 11 people, 6 men, 5 women

3. Monitoring and Evaluation chart

Event	Participation				
	Government	Non-governmental organizations			
	Total participants	Total NGOs	Total participants	Female	Male
Oct- - 2015/Mexico City	0	13	23	14	9
Nov.- 23- 2015/Mexico City	7	6	6	3	3
Nov.-28 & 29-2015/ Nuevo León	0	20	40	14	26
April-28 & 29-2016/ Mexico City	0	18	50	27	23
May-6- 2016/Mexico City	21	14	21	12	9
July-6-2016/ Mexico City	20	16	30	16	14
June-22-2016/ Mexico City	13	32	44	21	23
Sept-22- 2016/Mexico City	31	18	31	18	13
Sept-29-2016/ Mexico City	3	9	11	5	6
TOTAL	95	146	256	130	126

Monitoring and evaluation plan	Advances
First stage. Comparative research to draft an EITI-Mexico standard	
<u>Compare the implementation of the standard in Peru, Colombia and the U.S.</u>	
<p>Research facts of three country standards for EITI, compare and identify key features and areas for innovation.</p> <p>Indicator: An enhanced EITI standard for Mexico</p>	<p>We completed the analysis of these three cases of implementation of the standard, to be able to build arguments to advance in the complex process to set up the MSG in Mexico, and also to map best practices in the actual implementation of the standard in these three countries. These are three of the most paramount best practices that we have identified in these three countries:</p> <p>In the case of Peru, regional EITI boards are a potentially interesting arrangement for México down the road, taking into consideration the different characteristics, and economic inclinations that some states have.</p> <p>The case of Colombia, offers Mexico the most compelling case of organization and representation for civil society organizations, with an ample group of CSOs participating in “La Mesa de Sociedad Civil” and a representation body of the “Mesa” for the MSG. The technical working groups to analyze how environmental issues can be included as innovation in the standard over there, is also an example of how concerns can be addressed while advancing in implementing minimum EITI requirements.</p> <p>In the case of the U.S., it is particularly outstanding the design of an effective online portal that was conceived as a “life EITI report”.</p>
<p>Analyze the effects and correlation, even if they are incipient, of the implementation of the standard in each country.</p> <p>Indicator: Clear and positive examples of how the standard has been used in these countries, and what things have changed since it is in place.</p>	<p>In line with the explanation above, we developed different reports that showed the best practices in each country. The reports showed specific examples and practices that could be implemented in México. This documents were given to every stakeholder either at events or online.</p>
Identify key policies and themes for the	Apart from putting together materials that explain

<p>implementation of the standard and decide priorities to develop policy briefs.</p> <p>Indicator: there will be a clear agenda of themes and issues that need to be discussed and incorporated to the standard, as well as a core group of specialists from a wide array of civil society actors (CSOs, watchdogs, think tanks, universities, etc) identified and engaged.</p>	<p>what the standard is in an easy to understand way, we identified that a key issue for the successful establishment of Mexico MSG is governance. In that regard, and based on international examples we provided a proposal or Operation Rules for the whole MSG.</p> <p>We have also identified partners to address and build capacity on governance for the whole MSG and the CSO representation.</p> <p>To identify key policies and themes for the implementation of the standard we have commissioned technical analysis to assess Mexico's current state of compliance with the standard in mining and oil; but also on environmental and social issues, which are of great concern particularly for Mexican CSOs and other stakeholders. The fact that some EITI candidate and compliant countries have adopted some of these issues as innovations, certainly set the precedent for EITI, and an obligation for us to explore what can be done from the technical perspective and how.</p> <p>We have also developed a methodology based on the Chatham House rule to discuss technical issues in a safe space, and enrich the discussion with different perspectives, and to offer the MSG this information as an input for their work defining a work plan and implementing the standard.</p>
<p>Support SENER and others to develop governance rules for the multi-stakeholder group.</p> <p>Indicator: There is an evidence-based proposal of governance rules for discussion at the multi-stakeholder.</p>	<p>We developed a first set of operating rules for the MSG to consider and discuss.</p> <p>To develop the proposed operating rules we took best practices and recommendations from MSI Integrity, the Consensus Building Institute and the available rules of operations from other countries, most notably Colombia.</p> <p>We also establish a connection with MSI Integrity to offer a training to the MSG if they decide they need it.</p>
<p>Support civil society organization in analyzing representation models through a working session that aims at combining best practices and their expectations.</p> <p>Indicator: A proposal for civil society representation</p>	<p>A key factor of this grant has been the need to build trust and certain degree of consensus among parties that do not collaborate historically, and even more, that antagonize in some realms.</p> <p>We were not successful in becoming a trusted facilitator to achieve a CSO representation for EITI,</p>

is ready for implementation.	<p>but we were able to build trust by supporting CSOs in advancing their own processes to achieve the representation goal.</p> <p>Our collaborative relationship with Centro de Colaboración Cívica (CCC) helped us to achieve a successful representation agreement for CSOs.</p>
Strategies to promote and disseminate this work	
<p>Design an inclusive promotion and dissemination strategy of this work.</p> <p>Indicator: The strategy is ready and implementation underway</p>	<p>We have disseminated our EITI briefs widely among CSOs, extractive companies and government officials.</p> <p>We have not talked about EITI in the media yet, as technical information is just being released.</p>
<p>Draft a map of actors who can be potentially interested in these issues.</p> <p>Indicator: Map is ready and the strategy addresses outreach to different actors</p>	<p>The difficulties of reaching an agreement with CSOs for an EITI representation took prominence during this year. Still, we have mapped actors interesting in moving this agenda forward, and those are the organizations and individuals that have been on board for technical discussions along the way.</p>
<p>Dissemination activities</p> <p>Indicator: Dissemination activities take place by different actors according to the strategy</p>	<p>Briefings and policy documents produced by this project will be made public in IMCO's website and socialized through the MSG.</p>
Second stage. Policy briefs (thematic)	
Define key policies and policy themes in sync with EITI	
<p>Define the key themes for extractive industries in the country.</p> <p>Indicator: There are at least 5 core thematic areas of analysis to be pushed forward.</p>	<p>The 5 key issues we established are the following:</p> <ul style="list-style-type: none"> • MSG Governance and EITI Workplan • Fiscal and legal transparency in mining • Fiscal and legal transparency in oil and gas • Competitiveness and economy • Innovation on environment and social issues and crosscutting contributions.
<p>Design methodology to address all themes and to assess challenges in terms of weaknesses and strength.</p> <p>Indicator: There is a clear consultation method defined to discuss technical inputs and gather and incorporate feedback</p>	<p>Given the tension produced by the lack of definition in formalizing the MSG, we delayed the technical sessions hoping for a more conducive environment for constructive analysis and discussion.</p> <p>The Chatham House and Delphi Method methodologies were adapted for the technical consultative sessions. We have received extremely positive feedback about the methods and the session</p>

	format, and even NRGi is considering it for complex discussions for EITI processes in other countries.
Chatham House Rule. Indicator: The method is clearly defined and the tools to run it are ready for working groups.	The method has been adapted to identify areas in which there is not enough clarity, or areas of opportunity for implementing EITI in Mexico.
Delphi Method Indicator: The method is clearly defined and the tools to run it are ready for working groups.	The method has been adapted to identify areas in which there is not enough clarity, or areas of opportunity for implementing EITI in Mexico.
Define facilitator to gather, disseminate and share relevant information of these issues. Indicator: Additional facilitators are identified for each of the issues.	Technical experts have been identified for all the issues. Only the one related to Competitiveness and Economy will be done internally at IMCO.
Design mechanism to deepen themes as needed Indicator: The mechanisms are developed according to what is assessed as needed.	We created an "EITI Scorecard" to summarize Mexico's level of compliance with the standard. This will allow us or other actors to measure advancement as the standard is implemented overtime.
<u>Mechanisms to implement governance in Multi-stakeholder group</u>	
Design basic rules for working meetings Indicators: Rules are available and have been tested and adjusted.	A proposal of rules was developed, but the MSG has to agree about those rules, and work to improve them.
Chatham House rule Indicator: The method is clearly defined and the tools to run it are ready for working groups.	Given the way in which the project evolved, particularly regarding the difficulties to reach a CSO representation arrangement, we discarded the Chatham House rule for this issue.
Delphi method The method is clearly defined and the tools to run it are ready for working groups.	The Delphi method is not relevant by itself but in combination with discussions organized with the Chatham House Rule.
Democratic method decision making is developed. Indicators: There are clear definitions about consensus, decision making alternatives when no consensus is possible, conflict resolution, representation, and tools and templates to record meetings, and seek approval and follow-up of all participants.	IMCO has not been able to influence this MSG process in part because the MSG is not yet formalized, but also because would-be members consider their prerogative to decide these issues by themselves.
Third stage. Open data mechanism	

and tools to share EITI data	
Define the approach to secure top notch IT resources	
Analyze the kind of data that needs to be made available for the public. Indicator: There is clarity about the initial set of data that can be published once EITI is approved and implemented.	Although there has been collaboration with the DOI to learn from the experience of the USEITI website, and we have a clear map of relevant policies, laws and information publicly available to comply with the standard, we need a definition on the work plan that the MSG will push forward to define what data is needed and how to present it.
Based on the availability of data select the best option to develop an app. Indicator: Terms of reference to develop an app and other tech solutions are identified	This work is pending upon greater definition by the MSG.
Assess the need to convene "social justice" hackers to develop specific on-line ways to publish and access EITI information. Indicator: Need of convening a hackathon is clearly defined and the event convened.	Same as the above.

4. Planned activities for the coming months

This grant will officially end up at the end of March 2017. Although the timing of most activities was affected by the trust building process to formalize the MSG, our technical inputs will be discussed and made public within the coming months. Our Chatham House discussion on oil and hydrocarbons will take place on October 21st, and the sessions on environment and social issues will happen in January 2017. There will be a discussion about competitiveness that we plan to host in a different format, since we do not see here the same level of controversy of other issues, for which a discussion in the Chatham House format makes more sense.

Pending for our original plans are the sessions devoted to address governance of the MSG, and a session to assist the MSG in formulating its work plan. Those sessions cannot be held before the MSG is formalized, and we intend to provide that support if that is deemed necessary at this point. Although we have planned and budgeted for these sessions these cannot be imposed.